DG UNIVERSITY: ANTI-CORRUPTION

Text Version

I. Introduction
Corruption is a worldwide phenomenon. All countries are faced with some form of corruption, whether it's petty or grand, organized or disorganized. Corruption is not a new phenomenon, either.
Today we read about corruption all the time in newspapers: Salt Lake City and bribery of the Olympic Committee; fraud in the European Commission; bribes to get government contracts; nepotism in local government. But the problem is often seen as one of those plagues of humankind of which we cannot rid ourselves.

What is corruption? Why is it bad? Is there anything that can be done about it? The goal of this module is to demonstrate that there are actions that can be taken and that resources are available to help you in designing an anti-corruption program.

Learning objectives
By the end of this module, you will be able to:
1. Explain the costs of corruption and why USAID is engaged in anti-corruption as a development issue.
2. Identify some of the causes of corruption, both institutional and societal.
3. Discuss the various responses to corruption and identify examples of implementation.
4. Articulate USAID's programmatic response: a strategy that responds to the context-specific opportunities and constraints for addressing corruption.
5. Identify the major international initiatives and players in fighting corruption.
6. Enumerate and apply specific programmatic approaches to improve government accountability, realign incentives and raise awareness of the costs of corruption.
7. Identify political will for anti-corruption reform and be familiar with techniques to mobilize it.
8. Apply USAID field assessment methodology, and be familiar with programming recommendations and actions taken to date.

This module has two parts. Part I, which you are beginning right now, provides the basic concepts and tools for anti-corruption programming. Part II is a case study activity, which enables you to apply the tools and concepts from Part I and compare solutions with other DG officers who have participated in the module. After reading an assessment of the case country, you will be asked to write a memo proposing a program strategy to the mission director of the mythical case. After you have submitted your draft memo, we will send you the web address of a library of memos written by other participants. Once you have submitted a final memo to complete your participation in the module, we will add your memo to the library to spark the ideas of future participants.

Part I should take you three or four hours to complete. It is broken up into several segments and can be completed over a period of time, not necessarily in one sitting. You can exit and reenter the program at will. There are periodic quizzes throughout the module to test your understanding of the material. The quizzes also offer a natural breaking point to exit the module and return at a later time.

At the end of Part I, you will be able to print a text version of the module for future reference. Part II can take as little or as much time as you are willing and able to spend. Generally, completing the case study should take less than one hour. Of course, the more effort you put into the case study the more you are likely to get out of the experience.

Part I Outline

PART I

I.   The Global Context for Anti-Corruption Programming

Long a taboo subject in the international arena, corruption has increasingly come to be recognized as a significant obstacle to economic and democratic development. Governments, businesses, civil society organizations, and citizens themselves are more and more willing to acknowledge corruption as a development issue, and actors at the local, national, and international levels are organizing to confront it.

The global anti-corruption movement owes much of its impetus to the end of the Cold War. Donor governments are able to pay greater attention in their budget allocation decisions to directing resources to governments and organizations that will employ their contributions most effectively. At the same time, private sector investment has become an increasingly important factor in spurring development, and countries with high levels of corruption have found themselves less able to attract investment in a competitive global market. The end of the Cold War has also resulted in a proliferation of emerging democracies. Citizens in these countries have begun to use their votes and their voices to register their antipathy toward corruption and to force their governments toward change.

USAID has long been a leader in the battle against corruption, by promoting transparency and accountability, establishing checks and balances, and strengthening the rule of law. With corruption's heightened visibility, USAID is now tackling the issue more directly.

An important difference from the past is that we are able to involve non-governmental actors, including civil society, in our efforts. We are convinced that civil society can have a significant effect on a government's will to enact and sustain anti-corruption reforms.

II. What is Corruption?
Corruption is the misuse of public office for private gain. Examples of corrupt activities include fraud, embezzlement, nepotism, bribery, extortion, and influence-peddling.

USAID's focus is on public, or government, corruption and not private corruption. Public corruption involves a public official, whereas private corruption is between individuals in the private sector. Because it involves the government, public corruption has a destabilizing effect on both a country's politics and economics. By contrast, private corruption may undermine economic growth but may not impact political development.

The issue of cultural relativism is frequently raised when working against corruption. Is corruption only a western concept? Are the practices of the host country part of the social fabric and therefore not to be tampered with? As valid as this contention may be for a specific practice, in any setting there exists a delineation of what happens above board and what is under the table, of what is accepted and what causes outrage.

III. Types of Corruption

Systemic vs. Sporadic
- Systemic corruption refers to situations where corruption is the rule.
- Sporadic corruption refers to situations where corruption is the exception to the rule.

Organized vs. Disorganized

- Organized corruption incorporates a number of officials within an organization or across organizations taking part in and sharing the gains from routine corruption.
  EXAMPLE: A customs official gets his job through a favor or bribe and then has to share a portion of the bribes he collects with his superiors.
- Disorganized corruption takes place opportunistically, on a case by case basis.
  EXAMPLE: A judge takes a bribe for the desired ruling in a case.

Grand vs. Petty
- Grand corruption refers to large-scale abuse.
  EXAMPLE: The telephone company has a corrupt relationship with an international telecom firm leading to provision of sub-standard equipment in exchange for kickbacks to government officials.
- Petty corruption refers to small-scale abuse.
  EXAMPLE: A police officer asking for a bribe in lieu of writing a ticket.

USAID focuses on addressing systemic, organized, and grand corruption because of its corrosive effect on political and economic systems. The comparatively lesser damage caused by sporadic, disorganized, and petty corruption may not merit spending resources that could be invested in other development objectives.

Other types of corruption
- Political corruption involves an elected public official, and brings into play exchanges of votes or campaign contributions for preferential treatment.
  EXAMPLE: Electoral support to a party in exchange for paying funeral or wedding costs, as in Tammany Hall (Democratic political machine in New York City at the turn of the century), and in the Philippines today.
- Bureaucratic corruption involves a bureaucratic official.
  EXAMPLE: In Ukraine, bribes demanded by tax, health, and fire inspectors ranging from $40 to $90 for each visit to a firm.

QUIZ #1 (answers on last page)

_____1. Which of the following is an example of private corruption?
   a. Mafia extorting from businesses.
   b. Businesses paying kickbacks to government for contracts.
   c. Civil servant extorts money from citizens and passes the money up to superiors.

_____2. Corruption that involves large-scale abuse of public trust is referred to as....
   a. sporadic.
   b. systemic.
   c. grand.

_____3. USAID concentrates its efforts on eliminating...
   a. all corruption, because of the corrosive effect on society.
   b. public corruption, because of its destabilizing effect on a country's government and
economic growth.
   c. private corruption, because it inflates the cost of doing business an drives away foreign
investment.

_____4. If the majority of police officers in a country routinely give traffic tickets only to those who
refuse to pay a bribe, this is an example of....
   a. systemic corruption.
   b. petty corruption.
   c. both.

5. Corruption that is opportunistic and individual is:
   a. sporadic.
   b. disorganized.
   c.   both a and b.

_____6. A mayor gets a large campaign contribution for ensuring a company's environmental
law violations are ignored. This is called:
   a. a public-private partnership.
   b. organized corruption.
   c. political corruption.

IV. Costs of Corruption: Political & Economic
What are the costs of corruption for society? Why is it bad?

Political Costs:
- Suspends rule of law
- Reduces equality
- Limits representation
- Erodes institutional capacity of government
- Undermines government legitimacy

Corruption makes for bad government, based not on voters' preferences but on the personal interests and motives of corrupt officials. There is no equality before the law or principle of one person/one vote where personal connections and payoffs skew political decisions. With flawed elections and an uneven application of laws, citizens cannot hold government officials accountable for their actions.

Corruption also erodes government institutions as corrupt officials siphon off resources, shield incompetent workers, and make government procedures and regulations overly complex. A corrupt government that is neither representative nor effective is not legitimate. When citizens perceive their government as illegitimate, democratic values such as trust and tolerance are undermined.

Economic Costs:
- Inflates cost of doing business
- Reduces competition
- Lowers quality of infrastructure and public services
- Distorts public investment
- Increases pressure on government budget

Corruption lowers economic development in a number of ways. It increases the cost of doing business because of bribes demanded at various points and because of increased uncertainty and the risk of operating without clear property rights and rules. Corruption also reduces competition as it puts bribe givers at an unfair advantage. These factors scare away potential investors.

Corruption also distorts public revenues and expenditures. Because public contracts often go to the highest bribe, and not necessarily to those who will carry out the work adequately, corruption lowers the quality of infrastructure and public service. At the same time, corruption diverts money from services such as education to large construction projects where it is easier to get bribes and kickbacks. Finally, as people pay off tax officials to lower their taxes or simply refuse to pay taxes in the belief that the system is corrupt, revenue shortfalls strain government finances, contributing to higher interest rates and/or inflation.

USAID/Nicaragua funded a survey of public perceptions about corruption in 1998, which showed a clear relationship between the perceived frequency of bribery and the level of support for the political system. As the perception of bribery increases, the support for the political system decreases.

This table, courtesy of the World Bank Institute, illustrates how corruption inflates the cost of business. These bribes were unofficial payments that firms reported they had to make in order to obtain official licenses or services.

Average Bribe Paid by Firms, 1996

	Russia	Ukraine
Firm Registration	$ 288	$ 176
Phone Line Installation	$1,071	$ 874
Fire/Health Inspection	$ 67	$ 42
Tax Collection	$ 250	$ 87
Export Registration	$ 643	$ 123

These distortions deter investment and reduce economic growth. In quantitative terms, Paulo Mauro's analysis of 94 countries suggests that a reduction in corruption of 2.38 points on his 10-point scale would increase a country's annual investment by 4 percent of gross domestic product (GDP), and would increase annual growth of GDP per capita by 0.5 percent (Mauro 1997).

The World Bank's The State in a Changing World, World Development Report 1997 further refines this relationship between corruption and investment by distinguishing between the level of corruption and the predictability of payments and outcomes. It suggests that investment drops off most in countries where corruption levels are high but the predictability of payments and outcomes is nonetheless low.

Research also exists that demonstrates how much businesses are willing to pay in extra taxes if the arbitrary nature of corruption were stemmed. For more information, see the World Bank Institute's Diagnostic Survey of Corruption in Ukraine.

World Bank research shows a significant risk of losing business investments to corruption. Their evidence provides a stark portrayal of an economic cost of corruption. For example, the agency gauges the investment climate in Iraq to be so risky that it gives a 95% probability of losing an investment within 5 years.

Globalization and the mobility of capital are major reasons why political will to fight corruption is developing. Since corruption acts as an unofficial tax, increasing the cost of doing business, firms will invest where these costs are lowest.

V. Causes of Corruption: Institutional Structures and Societal Attitudes

Where does corruption come from? Is it just personal greed, or are there aspects of the political system that foster corruption? We can identify several aspects of the political system that foster or impede corruption, and explain substantial differences in corruption levels across countries. Institutional structures that foster corruption:
- Wide authority
- Little accountability
- Perverse incentives

Appreciating the wide range of government involvement in the economy that is possible, we can say that corruption is more likely to occur where public officials have wide authority over a variety of transactions because of government licenses, regulations and ownership. The extreme form of this authority would be communism, but capitalist systems that are highly regulated and controlled also create ample opportunity for public officials to take bribes, or to divert public resources to themselves.

Corruption is also more likely to occur where there is little accountability for officials' behavior. That is, they can get away with corruption because there is little transparency in government operations, little oversight, or little in the way of sanctions. Under such circumstances, officials don't view themselves as being accountable to the public or to other government entities, so they can make decisions that benefit themselves. The lower the probability of detection and punishment, the greater the risk that corruption will take place.

In addition, corruption is more likely to occur where there are perverse incentives for public officials, that is, where the incentives encourage public officials to pursue self-serving rather than public-serving ends. This tends to happen where salaries, rewards for performance, security of employment, and professionalism in public service are low.

Apart from the opportunities, costs, and professional incentives of government structures, general attitudes toward the political system also influence corruption levels.

Societal attitudes that influence corruption:
- Personal loyalties
- Illegitimate government
- Inequality

Corruption is more likely where the primary driving factor in society is not the rule of law, primarily in the context of poverty or conflict, but personal loyalties, such as to one's family, ethnic or religious group.

Patronage systems, in fact, represent a common means of securing advantage through personal rather than formalized channels.

Corruption is also more likely where an illegitimate government induces disregard for the system. The government may be seen as illegitimate because it is repressive, ineffective, discordant with the culture, or imposed by foreign rule.

Finally, inequality may foster corruption as those disadvantaged by the system, without the means to influence or benefit from the system, have an incentive to operate outside it. Dominance of a political party or ruling elite over political and economic processes, or exclusion of marginalized or poorly organized groups from the same, creates incentives for those disadvantaged by the system to operate outside it.

QUIZ #2 (answers on last page)

_____1. Which of the following is NOT an example of an economic cost of corruption?
   a. Government institutions are eroded.
   b. The cost of doing business is inflated.
   c. Increases pressure on the government's budget.

_____2. Corruption undermines the legitimacy of government by.
   a. distorting public investment.
   b. lowering the quality of public services.
   c. limiting representation and decreasing effectiveness.

_____3. Low salaries for government workers is an example of
   a. perverse incentives.
   b. failed government oversight.
   c. what happens when you work for USAID.

_____4. Inequality tends to foster corruption because:
   a. it creates greater opportunities for officials to demand bribes.
   b. officials are rarely held accountable for their actions.
   c. underpriviledged people feel they are not part of the system and tend to act outside of it.

_____5. Which of the following is NOT an institutional cause of corruption?
   a. Little accountability
   b. Greed
   c. Perverse incentives

_____6. A patronage system describes a government where
   a. bribes are accepted as a standard way of doing business.
   b. personal channels are used to secure advantages from the government.
   c. shoppers patronize only those stores that have paid their bribes to the government.

VI. Responses to Corruption--Changing the Environment/Institutional reform

Responses to Corruption
Responses to corruption include (1) institutional reforms to limit authority, improve accountability, and change incentives, and (2) societal reforms to change attitudes and mobilize political will for sustained anti-corruption interventions. Within these two broad categories, the list of potential responses is extensive.

What follows are descriptions and examples of various approaches to institutional and societal reforms. Clearly, however, it is not possible or even necessary to undertake all these initiatives in an anti-corruption effort. The mix of initiatives, the relative emphasis placed on them, and the sequence in which they should be pursued will vary from country to country and from time to time.

After presenting the inventory of possible initiatives, we will introduce a framework for deciding what needs to be done, in what sequence, and with what sort of political and economic support.

Institutional Reforms: Change the environment in which public and private sectors interact

> The primary goals of this approach are to:
> -- reduce opportunities for corruption
> -- improve government accountability
> -- realign incentives for government employees

These goals are met though legal, judicial, regulatory, and administrative reforms. Laws and regulations set the rules for public/private interaction. Changing the rules can affect the costs and benefits associated with corrupt practices. USAID has supported numerous countries around the world in their efforts to create a consistent and transparent legal and regulatory environment.

Regulatory reform can also help to cut red-tape and set standards. Often the problem with regulations is that they are too cumbersome. Measures that cut red tape, decrease or set standards for the processing time required for businesses, and reduce the number of opportunities for public officials to solicit bribes by creating "one-stop shopping" windows can have a considerable impact on corruption.

Administrative reforms increase government capacity. For decades, USAID has supported institutional reforms that enhance the administrative capacity of government to account for public funds. Modern computerized financial management systems, where properly employed, improve accountability by enhancing transparency and oversight of government operations.

CAUSE: WIDE AUTHORITY
GOAL: LIMIT AUTHORITY AND REDUCE OPPORTUNITIES FOR CORRUPTION

1. Privatization
The most obvious means of limiting state authority is privatization, which takes control of specific sectors and industries out of the public sphere and places it in private hands. While much attention has been recently focused on privatization-related corruption, the opportunities for rent-seeking behavior and financial misuse are always greater in systems where boundaries between public and private sectors remain unclear.

To ensure the integrity of the process, privatization requires special measures of transparency. In addition, successful privatization programs require adequate regulatory and commercial legal frameworks to protect consumers and investors and to create conditions for competition. Without these frameworks in place, privatizing government operations may only shift rent-seeking from the public to the private sector. Indeed, in many developing and transitional countries,

unregulated or poorly administered privatization has enriched insiders through skewed prices and conversion of public monopolies to private ones.

Example:
With USAID assistance in Georgia, the government passed the Law on the Declaration of Private Ownership of Enterprise Land, which is believed to be one of the most progressive enterprise land privatization laws in the region. This law rationalizes sales procedures and eliminates many of the burdensome processes that have fostered corruption and severely impeded land privatization.

The Investor Road Map Project in Tanzania has successfully reduced the number of clearances needed to issue work permits and the average number of months required to commence business operations

2. Liberalization
Liberalization offers a straightforward means to limit state authority. Eliminating tariffs, quotas, exchange rate restrictions, price controls, and permit requirements simply strips officials of the power to extract bribes. At the same time, removing such controls reduces transaction costs, eliminates bottlenecks, and fosters competition.

In recent years, accession requirements to the World Trade Organization (WTO) have pushed many countries to liberalize their economies.

Example:
Transitions from communism have also entailed substantial recision of controls. A special presidential commission in Ukraine, for example, recently reduced the number of licenses required to open a business from 100 to about 55, thus eliminating numerous opportunities for petty corruption to thrive.

3. Competitive Procurement
Competitive procurement limits the authority of government officials thereby guarding against corruption. Competitive procurement removes personal discretion from the selection of government suppliers and contractors by prescribing an open bidding process and laying out clear procedures and criteria for selection. Because a corrupt procurement process can derail their development efforts, donors are making procurement reform a priority.

Example:
The World Bank is assisting the governments of Benin, Ethiopia, Malawi, Mali, Tanzania, and Uganda reform their procurement procedures. In cases where such government leadership is absent, private firms may foster a competitive process. Through anti-bribery pacts such as Transparency International's "islands of integrity" approach, bidders agree not to pay bribes for a government contract and post sizable bonds that are subject to forfeiture in the event of non-compliance. Firms in Ecuador, Argentina, and Panama are experimenting with anti-bribery pacts.

4. Competition in public services
Competition in public service reduces opportunity for corruption by removing the monopoly power of any one government office. In so doing, it discourages extortion since customers can take their business to a competing office when confronted with irregular demands or service. Overlapping jurisdictions, in the case of motor vehicle bureaus or passport agencies, or private and public provision of service, in the case of mail delivery or trash removal, are two ways of instituting competition in public service.

CAUSE: MINIMAL ACCOUNTABILITY
GOAL: IMPROVE GOVERNMENT ACCOUNTABILITY

Improving accountability entails efforts to improve both the detection and the sanctioning of corrupt acts. Better detection requires measures to improve transparency and oversight while better sanctioning involves establishing criminal and administrative sanctions, strengthening judicial processes, and improving electoral accountability.

1. **Transparency**

a. **Freedom of information legislation**
Freedom of information legislation improves accountability by enhancing the transparency of government operations. It counteracts official secrets, acts, and claims of national security that impede corruption inquiries. Freedom of information legislation also informs citizens of the procedures for government service, curtailing attempts to subvert the system or to demand gratuities for information that legally should be public.

Example:
The Ugandan government, for example, now displays in relevant offices the regulations, procedures, and fees for public services such as registering a vehicle or starting a company.

b. **Financial disclosure**
Financial disclosure laws improve accountability by enhancing the transparency of officials' finances. The laws require public officials to declare their assets and incomes and so act as a deterrent to profiting through corruption. Public officials can include cabinet ministers, members of parliament, and top civil servants. In some countries, laws require declarations upon accession to and departure from office. Other laws prescribe yearly monitoring. Countries including Argentina, Brazil, Chile, Nicaragua, Poland, Russia, Sierra Leone, Sri Lanka, Tanzania, and Uganda have recently passed such legislation. While in most cases the laws have elicited declarations, public access to them or verification of their accuracy has often been a problem.

Example:
In Georgia, under a conflict of interest law prepared with USAID assistance, all senior- and mid-level government officials (3,000 total) are required to file annual financial disclosure reports that are available for public scrutiny.

c. **Open budget process**
Open budget processes improve accountability by enhancing transparency of government expenditures and income. While the principle applies equally to national and local level budgets, the immediacy of local government provides an impetus and entree for citizens to participate in the process that are often missing at the national level. For this reason, recent efforts to promote transparent budgeting have concentrated on the local level.

Examples:
Decentralization programs in Bolivia, Paraguay, and El Salvador have featured improved citizen participation in and oversight of local budget processes.

USAID/Philippines helped to implement progressive legal reform that gives an explicit role to citizens' groups and non-governmental organizations (NGOs) in local government. Under this law, private citizens are permitted to sit on special bodies to administer procurement, bidding, and awards of local contracts.

d. Financial Management systems

Modern financial management systems improve accountability by enhancing transparency and oversight in government operations. Originally developed in response to the 1987 financial collapse in New York City, these systems apply high technology to the fight against financial mismanagement and corruption. Measures to improve financial management systems involve design of financial software, installation of hardware, and training of accounting and audit staff.

Tools for financial management systems include the following:
* High-speed computer comparisons of data that can disclose such abuses as duplicate payments to suppliers, double-salaried staff, and retirees drawing remuneration
* Computer-assisted audits allowing selected sampling of activities subject to abuse
* Automatic flash points that call attention to repetitive or inappropriate budgetary maneuvers, or to deviations in areas of high vulnerability
* General ledger controls over valuable resources such as land, buildings, vehicles, computers, and electronic equipment
*Single bank accounts used to consolidate public funds and eliminate "off-budget" expenditures

Examples:

Currently, three USAID missions in Latin America are supporting improved financial management systems, while six missions are offering technical assistance to offices of the controller general, including explicit training on how to detect and investigate fraud.

USAID/Honduras has developed a special program to bolster the auditing capabilities of the office of the controller general in the aftermath of Hurricane Mitch when an unusually large amount of funds are flowing into the country for reconstruction projects.

In addition, USAID/Madagascar and USAID/Tanzania have worked with their host country governments to strengthen the audit capacity of the Malagasy General Accounting Office and the Tanzanian Inspector General's Office, respectively.

In Armenia, the World Bank and USAID have supported reforms in the internal financial control environment in Armenia's largest utility, resulting in the separation (checking and balancing) of previously integrated metering, billing, and payment functions and in the introduction of a system that will reduce meter tampering.

2.   Oversight

a. Audit offices, Inspectors general, Ombudsmen, Anti-Corruption agency

These government offices improve accountability by overseeing government operations. In general, they look into allegations of mismanagement and review administrative systems to ensure they adhere to anti-corruption procedures. Specific responsibilities and titles of these offices vary from country to country.

Examples:

Review of corruption allegations is undertaken by the Inspector General in Uganda, the Anti-Corruption Bureau in Tanzania, and the Unit for Monitoring Accountability and Transparency in Sierra Leone. In many cases these offices function narrowly as ombudsmen, registering citizen complaints and serving as public advocacy offices. In other cases, such as with Bolivia's UDECO (Unidad de Defensa Del Ciudadano contra la Corrupción), they coordinate anti-corruption efforts among agencies. Still others have investigatory and prosecutorial powers (e.g., Peru's Tribunal for Public Ethics, Uruguay's Defensoría del Pueblo, and Botswana's Directorate on Corruption and Economic Crime). The Botswanan Directorate on Corruption and Economic Crime (DCEC), modeled after a similar agency in Hong Kong, not only investigates and prosecutes offenders, but designs strategies to prevent corruption and engages in public education. Officially under the

president's jurisdiction, it is operationally independent and can prosecute whomever it wishes. Although hampered by a slow court system, it boasts a high conviction rate and has collected fines in excess of its operating costs.

USAID/Benin has provided technical and institutional support to the Supreme Audit Institutions, both at the Chamber of Accounts of the Supreme Court and the Inspector General Office of the Ministry of Finance. The Mission helped the Chamber of Accounts of the Supreme Court develop a manual of procedures to carry out public audits and provided training for the Chamber's support staff. The Chamber has since requested assistance on campaign finance monitoring. USAID/Benin has also provided institutional support to the Inspector General Office of the Ministry of Finance, which has allowed them to increase the number of auditors from six to twelve.

b. Legislative oversight
Legislative oversight provides a powerful check on executive authority, enhancing accountability where a dominant executive branch might otherwise operate with impunity. To be effective, however, legislatures require such resources as a technically competent staff, strong committees, budgetary independence, significant bureaucratic oversight powers, and a constitutional role in approving political appointments. In many countries, legislatures lack such resources and are thus manipulated or bribed by strong executives. Programs to modernize legislatures and workshops to help members of parliament understand their role in governance aim to strengthen their oversight capacity. Requiring that anti-corruption agencies report to parliament, rather than the executive, also facilitates legislative oversight.

Examples:
Recently, amendments to legislation in Zambia and Uganda have directed the Anti-Corruption Commission and the inspector-general, respectively, to report to parliament rather than the head of state.
Since the late 1970s, restoration or establishment of democracy has produced stronger legislative bodies in many countries. Most notably in Latin America, newly restored legislatures have taken a leading role in combating executive branch corruption. The most conspicuous example of this was the congressional impeachment of Brazilian President Fernando Collor de Mello, initiated by the Parliamentary Commission of Inquiry. More recently, the Brazilian Senate formed a special committee to investigate allegations that government officials had been involved in fraudulent sales of government bonds. As another example, the Kuwaiti parliament has become quite assertive since its reinstatement following the Gulf War. Recently, it divulged the royal family's practice of demanding kickbacks for favors and exposed corrupt procurement procedures in the Ministry of Defense.

c. Hot lines and Whistle-blower protection
Hot lines improve accountability by enlisting co-workers, businesses, and citizens to report corrupt acts.
The government office responsible for investigating such acts often operates a hot line. For example,
in Hong Kong, the Independent Commission Against Corruption runs a hot line and guarantees that every allegation is investigated. It also protects those who make reports by granting file access to officers on a "need to know" basis only. However, in cases where anonymity cannot be guaranteed, those who protest corruption often place themselves at risk. In many countries, whistle blowers are often fired or punished,
subjected to administrative harassment, and exposed to violence. For this reason, anti-corruption efforts need legislation to protect whistle blowers from official sanctions or even to reward them. Uganda, in fact, is now considering a recommendation to reward officials who provide information leading to the successful recovery of embezzled public funds.

3. **Sanctions (Electoral, Criminal, Administrative, Judicial reform**)

Applying sanctions to corrupt acts is an important step toward establishing accountability. Free and fair elections provide an important mechanism for holding public officials accountable. Citizens can withhold votes from incumbents as a sanction against corruption, and elect opposition candidates denouncing such dealings. In Bulgaria, Mexico, and Tanzania, for example, voters have elected opposition candidates running on anti-corruption platforms. However, to work as a check on officials' actions, elections must be accompanied by meaningful guarantees of civil liberties to vote and run for office, as well as by fair voting procedures. Campaign finance poses a particular challenge for fairness and can be a significant source of corruption. For this reason, campaign finance reforms that limit or regulate donations, require disclosure of funds, provide free television time, and eliminate off-budget government funding sources are an important component of accountability.

In large part, sanctions are centered on legislation to criminalize corruption, which many countries have introduced in recent years. For example, in Uganda in 1995, the Law Reform Commission established that all embezzled monies must be returned to the state; misappropriated properties or goods must be forfeited; and mandatory minimum sentences must be given for each offense. Similarly, in Malawi, the Corrupt Practices Act of 1995 prescribed criminal penalties for soliciting, offering, and accepting bribes, and authorized recovery of illicit proceeds from corruption.

In some countries, penal codes allow prosecution not only for direct evidence of bribery, but also for possessing wealth and income that cannot be traced to lawful activities. Such laws have been used successfully against drug lords in Colombia and against the brother of former President Carlos Salinas de Gotari in Mexico. A few countries, such as Thailand and Hong Kong, even place the burden of proof on the accused. A government official can be required to show that his or her wealth, and perhaps that of immediate relatives, was acquired legally.

This issue was a point of disagreement during deliberations over the 1996 Inter-American Convention against Corruption. Many Latin American countries argued that requiring the government to prove illicit enrichment would be ineffective and that the burden of proof should be placed on the accused. The United States argued that the presumption of innocence ought to be a constitutional principle. Negotiations ultimately settled on the latter position.

In addition to criminalizing corruption, governments can establish sanctions for smaller cases of corruption outside the formal legal system. Authorities can fire public officials engaged in corrupt deals and render them ineligible for pension distributions or future public employment. Authorities can also deny public services to users found offering bribes, or revoke their eligibility to bid on procurement and privatization contracts, either on a permanent basis or for a period of time.

Accountability requires not just establishing sanctions, but enforcing them on an impartial basis. Without enforcement, tough laws have no impact on reducing corruption, and may foster general cynicism about reform efforts. Yet to hold public officials accountable to anti-corruption laws, judiciaries need independence from the executive branch as well as institutional capacity.

Strengthening judicial independence involves revising procedures for appointing, assigning, remunerating, and removing judges and prosecutors to insulate them from political influence. In some cases, judicial reforms have established an independent prosecutor, in addition to the public prosecutor, to carry out investigations of senior officials. Strengthening the institutional capacity of the judiciary, meanwhile, involves modernizing court systems to facilitate swift and fair procedures. This can be done by augmenting and upgrading staffs, improving legal training, establishing codes of conduct for judges, attorneys, clerks and litigants, and strengthening investigatory capabilities.

Judicial reform is also critical for creating a predictable and consistent environment for investment. USAID works with host-country governments to build transparent and independent

adjudication systems, ensure the enforceability of contracts, and enhance the protection of property rights.

In recent years, targeted efforts to strengthen judicial independence and capacity have been most extensive in Latin America. A number of countries in the region have undertaken ambitious reforms to improve the skills, procedures, and infrastructure of the courts, often with donor assistance. Most notably, efforts to strengthen the office of prosecutor have gathered force.

Examples:
In Colombia, for example, the 1991 Penal Process Code grants significant investigatory powers to its Fiscalia General (Attorney General). This official is appointed to a four-year term by the Supreme Court and cannot be dismissed or reappointed. Colombia's Fiscalia General, Alfonso Valdivieso, has achieved international renown for his prosecution of drug lords and high government officials. Operating with administrative and budgetary autonomy, the office investigates and brings charges before judges, directs and coordinates the functions of the Judicial Police, and protects victims, witnesses, and others involved in proceedings.

Guatemala, with USAID's assistance, has begun to regulate the courts system, increasing their efficiency and reducing individuals' discretion by creating a clerk of courts office to reform case intake and to monitor the courts' procedures. For the first time, the court system has an inventory of its caseload, cutting down "lost" cases from 1,061 per year to 5. Litigants can no longer select a judge and legal time limits for hearing a case are automatically respected.

In Mongolia, USAID has worked with the parliament to complete the first codification and publication of Mongolia's laws and courtroom procedures. For the first time in their history, Mongolian judges and lawyers, as well as the average citizen, will have a set of public reference materials to ensure transparency and consistency in legal procedures. Judges will no longer be the sole arbiters of the legal code and courtroom procedure.

CAUSE: PERVERSE INCENTIVES
GOAL: REALIGN INCENTIVES FOR GOVERNMENT EMPLOYEES

Institutional reforms to fight corruption also include incentives to promote ethical behavior in public service. Such incentives feature active human resources management to develop a professional, committed work force.

As a first step, personnel systems can eliminate unnecessary positions and reduce the number of employees through hiring freezes and attrition, retirement packages, dismissals, and removal of ghost workers from payrolls. Personnel systems can also tighten job requirements, establish anti-nepotism regulations, develop codes of ethics, and provide training where needed.

Compensation systems must then provide a living wage, but also ensure sufficient remuneration to attract and retain qualified personnel. In some cases, salary increases can be financed through reductions in force.

In addition, performance-based incentives can bolster morale, professionalism, and productivity. Systems can link performance to compensation or to such non-monetary rewards as more challenging tasks, influential assignments, public recognition, and professional awards. Regular performance assessments become necessary components of an incentive system. Increasing disincentives for corrupt behavior can be as important as increasing incentives for ethical behavior. A credible threat of detection and punishment when combined with incentives rewarding ethical behavior goes a long way to limit corruption.

Examples:
USAID funded extensive work on ethics legislation in South Africa to set the standards of conduct for government employees and to require the transparent reporting of elected officials' assets.

In the 1980s, Ghana introduced institutional reforms in tax and customs administration. The government dismissed or retired the most corrupt officials, improved wages and working conditions, and offered performance incentives for individuals and for the National Revenue Service as a whole. Revenue targets were established, and the National Revenue Service was given a bonus of 3.5 percent of tax revenue and 2.5 percent of customs revenue. As a result, tax and customs revenue rose from 6.6 percent to 12.3 percent of GDP between 1984 and 1988.

Responses to Corruption--Mobilizing public support/Societal reform

Societal Reforms: Mobilize public support for change
  The primary goals of this approach are to:
  -- monitor and measure
  -- raise awareness about costs of corruption
  -- mobilize political will for reform

In addition to institutional reforms, efforts to fight corruption include societal reforms to change attitudes toward formal political processes and to mobilize political will for change. Societal reforms generate new information about the costs and causes of corruption to stimulate demand for change and provide guidance on what to change.

Societal reforms also foster structures to facilitate monitoring and advocacy by civil society. Without the mobilization of civil society, governments are unlikely to follow through on anti-corruption reforms once they enter politically difficult terrain.

Tools include:
- Surveys
- Public Relations Campaigns
- Workshops
- International Pressure

Partners include:
- Civil Society Organizations
- Public-Private Partnerships
- Media

TOOLS
Surveys work to change attitudes and mobilize political will by defining the problem and focusing efforts to address it. Surveys can address the issue of corruption directly (e.g., corruption perception surveys) or approach it indirectly in politically sensitive situations (e.g., service delivery surveys).

Corruption perception surveys ask individuals or businesses for their perception or experience of corrupt practices, often generating comparisons across branches and levels of government for national surveys, or across countries for international surveys. In its annual Corruption Perception Index, Transparency International draws upon seven international surveys of business people, political analysts, and the general public to rate approximately 50 countries on perceived levels of corruption.

Service delivery surveys, by contrast, ask public service users about their satisfaction with specific services, such as utilities, housing, health, or education. While they may ask the total cost, waiting time, and negotiating time for service, these surveys do not ask for an appraisal of the level of corruption. They nonetheless provide essential information to help design reforms, monitor results, and ultimately make services more responsive to citizens' demands. The World

Bank Institute (WBI) and CIET International have assisted governments in conducting service delivery surveys in Bosnia, Jordan, Mali, Nicaragua, Tanzania, and Uganda.

Public relations campaigns work to increase understanding about the harm done by corruption and the ways to fight it. Using the mass media, community activities, or school programs, they highlight the link between corruption and poorer public services, lower investment, smaller growth rates, and more inequality. They also emphasize citizens' rights to services and demonstrate that corrupt officials are stealing the public's money. At the same time, these campaigns articulate procedures for reporting corrupt practices and advocating for reform. Once people feel they have a stake in eliminating corruption and the means to do something about it, they can demand more action from their representatives and strengthen political will.

Notable sponsors of public relations campaigns include Poder Ciudadano, an Argentine NGO that developed imaginative television and radio spots denouncing corruption and sponsored an anti-corruption poster contest for school children; and Hong Kong's Independent Commission Against Corruption which has used press releases, public information announcements, interviews, documentaries, posters, information leaflets, meetings, public speaking, and work on school and university curricula to convey an anti-corruption message to the public.

Workshops offer an effective venue for changing attitudes about corruption and mobilizing political will for reform. Workshops strive to increase understanding of corruption and to generate practical strategies for reducing it. To do so, they rely on participatory diagnosis of the problems and development of an action plan, usually over the course of two to three days. Workshops--ranging from national integrity workshops with participants from the highest levels of government and civil society, to subnational workshops that bring together local political, economic, and social leaders, to workshops targeting a particular ministry or agency--can target many levels and parts of government. Transparency International and EDI have helped organize national integrity workshops in Malawi, Mauritius, Nicaragua, Tanzania, Uganda, and Ukraine.

International pressure, from foreign governments and international organizations, can mobilize and sustain domestic efforts to fight corruption. Bilateral diplomacy at the highest levels or through embassies, exhortations from international bodies such as the United Nations, and strong recommendations or conditionality from development assistance agencies can push reluctant reformers to address corruption issues. For example, World Bank president James Wolfensohn has effectively used his position to prod governments into action. International or regional treaties against corruption, such as the OAS Inter-American Convention Against Corruption, can also contribute to increasing official resolve to tackle the issues and initiate positive change.

PARTNERS
Civil society, where it is free to organize and act, can become a vital partner in developing and strengthening ethical practices in the public sector. While a growing number of civic advocacy organizations (CAOs) have emerged to fight corruption, a range of other civil society organizations can contribute to the cause without being organized specifically for that purpose. Most prominently, business and professional associations can be weighty advocates for government reform and at the same time effective champions of professional standards and self-regulation.

For example, in 1996, the International Chamber of Commerce adopted rules of conduct that prohibit extortion and bribery for any purpose. The chamber is working with national governments to enact or strengthen legislation combating extortion and bribery. Similarly, bar and accounting associations have established task forces on corruption and added the topic to meeting agendas. Religious groups, such as the Islamic community in Indonesia, can also exhort their members and political leaders to resist corruption.

- In Bulgaria, The Center for the Study of Democracy, for example, focuses more broadly on economic and legal reform.

- Alianza Civica in Mexico aims to increase competition and the accountability of the political system.
- Groupe Nouvelle Ethique in Benin works to change public attitudes toward work, education, and democracy, as well as corruption.

CAOs also have been formed to analyze corruption problems, monitor public officials, and advocate for government reform. A few, like the 70-plus national chapters of Transparency International, are dedicated entirely to fighting corruption, while others have a broader focus

NGOs in other sectors, such as environment and health, are also developing their capability to advocate transparency and integrity. Consequently, in many countries, broad coalitions of CAOs have formed to fight corruption. Measures to strengthen their efforts include providing technical assistance and training on technical, financial, and organizational issues, and building an enabling environment to allow for their financial independence.

EXAMPLES:
In Armenia a citizen-led group supported by the USAID-funded Environmental Public Advocacy Center and several other NGOs used adverse publicity, legal action, press releases, and petitions to halt a former senior municipal administrator's attempt to illegally transfer protected land to high-ranking government officials.
The Confederation of Mozambique's Business Associations worked to reduce red tape and to provide an effective forum for the private sector to examine policy issues. Over the past year, this activity has resulted in the passage of a new industrial law and revisions in the industrial and commercial licensing regulations. These changes greatly simplified the registration process; the abolition of import and export controls; and the transfer to a single agency of all responsibility for import and export controls. This final accomplishment will reduce bureaucratic delays caused by bribe-seeking. The confederation has also worked to prominently display the new commercial and industrial licensing requirements to promote transparency and awareness of the rules for both government and business.

USAID/El Salvador supports a coalition of key individuals from the public and private sectors committed to greater transparency. This group attended the 8th Anti-corruption Conference in Lima, Peru, and has since called for stronger public ethics and integrity. They advocated the 1998 ratification of the Inter-American Convention Against Corruption and hold seminars on transparency in public procurement and public financial disclosure.

Public-Private Partnerships

Since corruption often occurs at the interface between public and private actors, USAID has found that a coalition of institutions from the public and private sectors can more effectively tackle it and ensure sustainability. USAID has sponsored programs to promote public/private partnerships in numerous countries, including Bulgaria, Nicaragua, and Ukraine.

A Bulgarian NGO, known as Coalition 2000, has developed an anti-corruption action plan called "Clean Future" to reduce the level of public tolerance for corruption. The core element of the plan is an extensive public awareness campaign designed to reduce the level of public tolerance for corruption. The government of Bulgaria officially endorsed the action plan at a public policy forum held in November 1998. Signaling support from the highest levels of government, the prime minister opened the meeting, attended by over 150 representatives of the NGO community, the media, and government, with a letter from the president of Bulgaria. Moreover, the policy forum will be an annual event of the coalition reviewing the progress achieved and providing guidelines for future activities. In its first few months of implementation, the plan has made a measurable impact on cutting corruption.

USAID/Nicaragua supported a public awareness campaign by a local NGO. The campaign explained to ordinary citizens the linkages between recent administrative and financial reforms

undertaken by the government, and increased transparency and effective public services. It not only improved the government's image, but it also increased the public's understanding of the costs of corruption in their daily lives.

USAID/Ukraine has supported successful public-private partnerships at the local level. A partnership in the oblast of Lviv has effected increased levels of media coverage of the corruption issue, installed hotlines to collect public grievances about corrupt officials, successfully promoted the adoption of new procedures to screen civil service personnel, and helped to improve procedures for customs checks at border locations. A more recently organized group in the oblast of Donetsk is showing signs of being similarly aggressive in pursuit of its anti-corruption agenda.

Media
Investigative journalism fosters anti-corruption attitudes and mobilizes political will for reform. In exposing corrupt acts, investigative reporting elicits popular indignation about corruption and puts pressure on the government to change. It is precisely this risk of exposure that motivates governments to censor the press and jail journalists. Helping the media to raise awareness of corruption may require training journalists, editors, managers and owners in investigative journalism, professional standards, newsroom organization, etc. or addressing legal protection for media undertaking investigative journalism. Before initiating programming in media development with anti-corruption goals, an assessment should be conducted to determine potential for impact.

EXAMPLES:
In Latin America, USAID helped create the Latin American Journalism Center, an organization based in Panama that provides training to raise the skills of journalists and cultivate the media's commitment to fighting corruption. The center offers a specific seminar in anti-corruption investigation and reporting and emphasizes high professional and ethical standards in all training programs.
In the Philippines, USAID helped support the Center for Investigative Journalism, an organization that documented cases in corruption and identified a handful of cases in which citizens successfully opposed corruption. Based on this research, the group published a book, Pork and Other Perks. In part because of the book, corruption became a focal point of the elections and was highlighted in public dialogues, political speeches, newspaper articles and editorials, and other media outlets. Many observers believe the publication was instrumental in decisions to re-negotiate a major government contract with a foreign property developer and to dampen "pork barrel" budgets frequently misused by national legislators.

QUIZ #3 (answers on last page)

_____1. Which of the following is NOT a institutional reform goal?
   a. Reduce opportunities for corruption.
   b. Improve government accountability.
   c. Monitor and measure.

_____2. Reforms such as sanctions and whistleblower protection seek to:
   a. mobilize political will for reform.
   b. change the costs and benefits associated with corruption.
   c. limit authority.

_____3. Which of the following is NOT a societal reform goal?
   a. Raise awareness
   b. Monitor and measure
   c. Judicial training

_____4. A good public relations campaign:
   a. increases awareness of the causes of corruption.
   b. makes people feel they have a stake in anti-corruption reform.
   c. promotes understanding of costs of corruption and the ways to fight it.

_____5. Which of the following would be the ideal outcome of an anti-corruption workshop?
   a. the formation of a public-private partnership with a specific action plan.
   b. a concrete diagnosis of corruption in the country.
   c. increased awareness of the costs of corruption by government, civil society, and the private sector.

_____6. If you are seeking to limit authority, you might:
   a. institute a performance-based management system.
   b. implement competitive procurement.
   c. require personal financial disclosure from all senior level officials.

VII. Corruption Assessment

Designing a USAID Response: Steps to a Corruption Assessment

1. Determine extent/nature of the problem
2. Make some determination of political will for reform -- Stakeholder Assessment
3. Target Mission approach accordingly
4. Develop a realistic Action Plan

A strategy to fight corruption cannot and need not contain each of the institutional and societal reforms you've just reviewed. Rather, a strategy should fit the particular circumstances of a country, taking into account the nature of the corruption problem as well as the opportunities and constraints for addressing it. Therefore, designing a strategy requires an assessment of the extent, forms, and causes of corruption for the country as a whole and for specific government institutions. At the same time, strategy formulation requires taking a close look at the political will for anti-corruption reform in government and civil society. Such an assessment entails a political economy analysis of the reform process to identify supporters and opponents of anti-corruption reform and their respective interests and resources.

The extent of corruption provides the first analytical cut of the assessment. The extent of corruption can range from sporadic, occurring in isolated intervals with no apparent order, to pervasive, permeating most government institutions in a country or affecting most activities within a specific institution. Sporadic corruption can pose problems for development, but does not have the same corrosive effect on political and economic systems as pervasive corruption. While the detriment caused by pervasive corruption makes it a key development issue, the comparatively lesser damage caused by sporadic corruption may not merit spending resources that could be invested in other development objectives.

Determining the form of corruption is the next step of the assessment. Is the corruption petty, involving lower-level officials and smaller resources, or is it grand, operating at the highest levels of government with huge sums of money? Is the corruption organized vertically, linking subordinates and superiors in a system of pay-offs? Is it organized horizontally, linking separate branches of government or agencies in a corrupt network? Is it not organized at all? Does the corruption entail unilateral abuses by government officials (e.g., embezzlement and nepotism) or does it link public and private actors (e.g., through bribery, extortion, and fraud)? Similarly, is the corruption linked to organized crime or the military, entrenched in patterns of patronage, or embedded in elite networks? Finally, in what government institutions are corruption concentrated? For example, is the chief problem found in the customs agency, in government procurement, in tax collection, or in the police?

The next level of analysis examines the causes of the different forms of corruption. For the country as a whole, what institutional problems or societal attitudes contribute to corruption? How do these institutional and attitudinal problems vary across institutions and regions within the country? For example, is the issue of wide government authority problematic in all areas or just in certain activities? Are there effective mechanisms of accountability or proper incentives in some institutions or levels of government? How do these operate? Are they replicable? Do anti-system attitudes vary across government institutions-between public education and tax collection, for example-or between national and subnational governments, or between different regional governments? Why?

Following an analysis of the corruption problem, the assessment must examine the opportunities and constraints for addressing it. The central issue for strategy development is the opportunity for reform in a country. While in many countries, there is limited or no opportunity to address the

issue of corruption directly, in others, there may be partial or significant opening for reform. Openings to work in anti-corruption can arise from the following:

- A change in government (e.g., the election of Stoyanov in Bulgaria, the impeachment of Bucaram in Ecuador, the resignation of Suharto in Indonesia, or the death of Abacha in Nigeria)
- Public outrage around scandals (e.g., the 1973 scandal involving a high-ranking police officer in Hong Kong)
- An opposition movement focusing attention on corruption (e.g., Mexico's two opposition parties campaigning against the ruling PRI)
- An economic crisis (e.g., South Korea's financial market collapse)
- External pressure (e.g., the IMF and World Bank conditionality imposed on Kenya)

 Beyond such openings, the assessment needs to ascertain the broad level of support for and opposition to anti-corruption reform. That is, the assessment needs to identify supporters and opponents of reform among the ruling party, the opposition, the bureaucracy, subnational governments, the judiciary, the military, business, labor, civic groups, organized crime, donors, and foreign governments. It is also important to identify motivations and resources for supporting or opposing anti-corruption efforts. Motivations can be political, economic, or moral in nature, while resources can include investment capital, foreign assistance, coercion, votes, policy instruments, and moral authority.

Stakeholders: Suggested Interviews
- Ministries of Justice, Economics, Interior, State Administration
- Privatization Agency, Securities and Exchange Commission
- Anti-corruption Agency, Ombudsman, Auditor/Inspector General
- Appropriate Parliamentary Committees
- Judges and Prosecutors
- NGOs, Business Associations, Think Tanks, Journalists, Academics, Women's Groups
- Other Donors, Embassy Officers

Sample Assessments
Click on the links below to view two sample assessments. (The documents are in MS Word format and will open in a separate browser window.) These reports have been "fictionalized" for the sake of anonymity, but they are derived from actual USAID assessment documents. Pay special attention to the section of each document entitled "Recommendations," as this material will be useful when you proceed to Part II of this module, where you will be asked to write and submit a similar strategy.

Rysa Assessment

Arcadia Assessment

VIII. Responses When Political Will is Present: Combining Institutional and Societal Reform

The degree of opening for reform is a major factor to consider when crafting a strategy. If there is partial or significant opening for reform, the strategy should combine societal and institutional measures to combat corruption. Even though support for fighting corruption exists, societal measures are still needed to broaden awareness and institutionalize political will. For example, significant corruption in the customs authority and the presence of a reformer at its highest level may direct USAID anti-corruption assistance to that institution.

The specific reforms in customs may target personnel systems and ethics codes if perverse incentives are the main problem; transparency and oversight if little accountability is the main problem; or elimination and simplification of tariffs if wide authority is the main problem. More commonly, the reform of any government institution will incorporate some combination of these measures.

There is no singular response to corruption that will work in all circumstances. Just as corruption stems from a variety of institutional failings and societal predispositions, responses to corruption must vary to address particular causes. Moreover, responses must conform to a politically-constrained reality, adapting to the opportunities and constraints for fighting corruption at a given time. While the mix of interventions will vary, use of societal measures to build and maintain awareness and political will is key to sustaining the effort. Where corruption is pervasive, the fight against it must be a public as well as a technocratic affair.

Examples of institutional and societal measures useful when there is support for reform:
- Targeting government institutions where the corruption problem is serious and political will for change exists (often derived from a high-level official who identifies his or her tenure with fighting corruption)
- Identifying specific interventions based upon root causes of the problem - wide authority, little accountability, or perverse incentives
- Sponsoring integrity workshops
- Fostering anti-corruption NGOs
- Encouraging anti-corruption advocacy
- Promoting civic monitoring
- Providing training in investigative journalism
- Promoting private sector efforts to prevent corruption
- Advocating international cooperation and conventions
- Engage as many actors as possible--particularly the private sector

IX. Responses when Political Will is NOT Present: Mobilize public support for change

If there is little or no opening for reform, the strategy should concentrate on societal measures to increase awareness of the problem and mobilize political will for fighting corruption.

At the same time, USAID Missions may be able to support less politically sensitive institutional measures to reduce corruption. Institutional measures to limit the state's authority, such as economic liberalization, privatization, and procurement reform, may fit that criteria as they are often viewed in more technical, apolitical terms. Institutional measures to realign incentives, such as civil service reform, may also be feasible even where there is little or no opening for anti-corruption reform per se. On the other hand, measures to improve accountability are not likely to be supported by a government disinterested in or hostile to reducing corruption.

Examples of societal measures useful when there is little or no opening for reform
- Supporting critics of corruption
- Fostering anti-corruption networks
- Publicizing procedures and rights
- Conducting service-delivery or corruption- perception surveys
- Communicating the costs of corruption
- Promoting a free press
- Increasing pressure from international organizations, foreign governments, and investors to take the issue seriously.

QUIZ #4 (answers on last page)

_____1. USAID prefers to focus on anti-corruption reform in countries where corruption is pervasive because:
    a. Technical assistance has a greater impact on more severe problems.
    b. The extent of the problem warrants investment of scarce resources.
    c. Sporadic corruption is too difficult to address.

_____2. Horizontal corruption refers to:
    a. Corruption that affects peers in an entire department.
    b. Widespread prostitution rings.
    c. A network of corruption that crosses government agencies and branches of government.

_____3. Vertical corruption refers to:
    a. Corruption that links superiors and subordinates.
    b. A steep rate of increase in the perception of corruption.
    c. Corruption that extends to the highest government office.

_____4. If there is no political will for reform in the government, you can still:
    a. Pursue societal reforms, and explore the possibility of civil service reform.
    b. Publish editorials criticizing the government until political will appears.
    c. Work with the opposition party in the hopes they come to power in the next election.

_____5. If there is political will for reform, you should:
    a. Work with government reformers while pursuing societal goals to increase demand for reform.
    b. Focus all efforts on supporting government reformers.
    c. Develop civil society capacity.

_____6. Which of these is essential to sustaining political will for reform?
    a. Civil society working to keep the issue on the public agenda.
    b. High-level political support.
    c. Enforcement of sanctions

X. Performance Measurement: Candidate Indicators for Anti-Corruption Programming

Performance monitoring is a necessary and integral part of good program management. The indicators on the following pages are suggestive. A more comprehensive list of indicators for rule of law, elections, civil society, and governance programming can be found in G/DG's Handbook of Democracy and Governance Program Indicators (PN-ACC-390). Please refer to this document for more details.

Indicators of Government Performance
   Public perceptions of corruption in the delivery or provision of selected government services, as reported in opinion polls

   Perceptions of corruption by surveys of business persons or firms attempting to do business with the state

   Time and real cost to customers of getting a license from a selected licensing agency or a connection to utilities through a government utilities company

Indicators of Anti-Corruption Laws and Regulations
      Establishment of a code of conduct or other legally binding statements for elected and government officials

Indicators of Oversight Mechanisms on Maintenance of Ethical Standards
   Maintenance and adequate funding of an independent auditor-general's office or equivalent organization that regularly audits government accounts; an inspector-general's office that regularly monitors government contracting and procurement practices; or an office of government ethics to monitor and implement a code of ethics

   Percent of government budget audited according to required standards in the last financial year and/or percent of government contracts and procurements reviewed by the inspector general's office

   Percent/number of government departments/agencies with audit findings (e.g., that find an error) and/or equivalent for inspections of contracts and procurements

   Percent/number of examples of full investigation of significant breaches of procedures or ethics at relatively high level being pursued fully and fairly to transparent outcome, and if necessary, to enforcement/punishment

   Effectiveness of legislative oversight

   Number of NGOs with specialized capacity to analyze, monitor and publicize government corruption

Indicators of Professionalization of Recruitment and Management

   Percentage of new officers recruited by competitive exam conducted in a "fair" manner

   Number or percent of government financial/accounting systems operating under an integrated financial management system

XI: USAID/Ukraine: Public/Private Partnership

Overview
In two oblasts in Ukraine, Donetsk and Lviv, USAID-sponsored anti-corruption workshops to promote cooperation between city administrators and citizens' groups have led to some extraordinary successes. A partnership in Lviv has effected increased levels of media coverage of the corruption issue, installed hotlines to collect public grievances about corrupt officials, successfully promoted the adoption of new procedures to screen civil service personnel, and helped to improve procedures for customs checks at border locations.
A more recently organized public/private partnership in Donetsk, the Partnership for Integrity, has been likewise aggressive in pursuit of its anti-corruption agenda, conducting a massive public awareness campaign, publishing brochures on citizens rights, and working with the municipal coordinating committee to introduce administrative reforms that can reduce corruption, such as reducing traffic checkpoints and streamlining licensing procedures for businesses. In fact, according to a municipal official, a foreign business team headed by a major U.S. company stated that its decision to invest $65 million in a sunflower-processing plant was strongly influenced by the group's impressive anti-corruption campaign; the investment is anticipated to bring 600 new jobs to the city beginning in 2000.

Key Points:
1. Stakeholder assessment finds opening at the sub-national level
2. Targeting: Work focussed on local government but also civil society and private sector
3. Action Plan Goals:
   - Reduce opportunities for corruption
     - Deregulation
     - Procedural streamlining
     - Reduce face-to-face contacts
     - Reduce bureaucratic discretion
   - Reduce perceived risks for foreign investors

Phase 1: Stakeholder Assessment
Goal: Assess political will, interests, issues, and conflicts across all sectors of society

Approach

- The first step was to conduct stakeholder focus groups interviews with different sectors of society that could play a role in resolving the problem (law enforcement agencies, government services agencies, businesses, mass media, NGOs).   The focus groups helped to diagnose the problem, and to identify the existence of political will, potential leadership, the interests of the various stakeholders, who is likely to benefit and who will suffer, and where are opportunities for future corrective action and reform. The process also helped to evaluate perceived costs of corruption, effectiveness of existing programs, and what might be done.

  The focus groups revealed initial skepticism, but also interest in doing something. Most stakeholders were trying to come to grips with why corruption is high. Some of the contributing factors identified were low salaries, economic slump, high tax rates, and early socialization.

  The interviews also revealed that the NGO community felt completely disempowered; they doubted they had the ability to affect any change at all. It also became clear that the court system was bankrupt, that there was widespread fear of retribution from the government if

you oppose the system, a concomitant lack of trust in government, great suspicion of business people, great interest in promoting economic growth and investment, and interest in developing oversight bodies and ombudsman offices.

- Conduct Regional Public Opinion Poll.

A public opinion survey was conducted in each target municipal region based on a World Bank diagnostic survey to determine public attitudes about corruption, delivery of public services, desire for change, and other related topics. The survey results highlighted public dissatisfaction with local government service delivery, identified sectors thought to be the most corrupt, and demonstrated public demand for improvements. The survey results were useful for (a) persuading local elected officials that there is high public demand for anti-corruption efforts, (b) identifying particularly corrupt sectors, and (c) highlighting the link between corruption and local economic development.

- Work at a sub-national level. The World Bank was already working at the national level, and at least one key champion of reform had been dismissed from the national level government. Thus, the mission felt it would be more successful working at the sub-national level, despite limited authority to make important changes at local levels. Plus, the local level is where costs of corruption are felt more personally, therefore there is greater motivation to act. The program started in Lviv, then in Donetsk, next in Kharkiv.
- Conduct Workshops to Facilitate Communication. The mission decided to conduct workshops to facilitate public-private cooperation among local government officials, business associations, civil society organizations, and media to jointly develop action plans that specified measures
to be taken to reduce opportunities for corruption, increase government integrity, and improve public service delivery and the environment for business development.
- Focus on Economic Development. The results of the stakeholder analyses and focus groups indicated that the public-private partnerships would garner the most support from the broadest range of participants, especially local government, if framed in terms of how reducing corruption could improve economic growth and the business development environment.
- Emphasize Public/Private Partnerships. The mission determined that it was vital to include government officials as well as civil society groups, mass media, universities, and the private sector in this effort to reduce corruption.   Contrary to the typical adversarial relationship between government and non-government entitites, the resulting public-private partnerships would be rather unique in bringing together the two sides in a cooperative endeavor.

Phase 2: Action Plan
Goal: Mobilize government and civil society's political will to fight corruption and facilitate development of a public-private action plan to reduce corruption.

Approach
- Workshop – Identify Primary Actors. The first step in organizing the workshop was to identify primary government (e.g., mayor) and non-government (e.g., small business association) partners, and develop invitation list representing balance of relevant actors. Government participants included mayors, regional governors, law enforcement, judges, public prosecutors, tax administration, business licensing agencies, public service delivery agencies, etc.   Non-government participants included small business associations, lawyers, citizen advocacy groups, watchdog groups, mass media, academicians, law schools, etc.

  The mission held a plenary session to describe the workshop's goals, present evidence of the costs of corruption, provide international and regional examples of successful public-private anti-corruption efforts, and review local public-opinion survey results. This included breakout sessions where priority issues are identified and participants made commitments to pursue specific actions to address those issues.

- Action Plan. The participants' expectation was that the workshop facilitators and/or the mission would present an action plan for them to review and comment on. The facilitators were able to actively engage the participants in building their own action plan. In getting them started, it was useful to give them some examples of counter-corruption programs from other countries and present them with an inventory of strategies, but ensuring that ownership of the plan ultimately belonged to the participants precluded any arguments that the action plan was unworkable because it wasn't specific to the local context.

  The completed action plan included concrete, discrete actions; identified who was responsible for each action; established a timeline on when actions would be completed; and developed indicators of action accomplishment.

  The completed Action Plan included concrete, discrete actions; identified who was responsible for each action; a timeline on when actions will be completed; and indicators of action accomplishment.

  Examples of Action Plan Items
  - Law Enforcement
  - Ombudsman
  - Systematic staff rotation
  - Code of ethics
  - Minimize direct contacts
  - Government Services
  - Citizens' rights brochure
  - Restructure inspections
  - Streamline service delivery
  - Open budget hearings
  - NGOs
  - Complaint phone
  - Survey on service delivery
  - Public awareness campaign
  - Business Sector
  - Arbitration to resolve disputes
  - Business code of ethics
  - Procurement system
  - Review of draft regulations
  - Mass Media
  - Free access to information

- Establishment of a Public-Private Partnership
  After the development of the Action Plan, the second major accomplishment of the workshop was establishing a public-private partnership to
    a. monitor execution of the action plan (to be a watchdog)
    b. stimulate committed organizations and agencies to follow through on their commitments
    c. conduct public education and awareness campaigns
    d. sustain the dialogue over time between civil society, the private sector and government

  This partnership was a broad coalition, one could even call it a civic movement, of several diverse organizations. Most significantly, it provided a forum for the government to talk with civil society and business community about corruption problems, where there had been no such dialogue before.

Phase 3: Implementation
Goal: Cultivate local ownership and ensure sustainability of anti-corruption program

Approach
Provided technical and financial support to the partnership coalition
   - Monitoring system and implementation indicators
   - Models of successful programs elsewhere
   - Involvement of other donor/contractor programs
   - Small grants for research, to set up a civic advocacy office, conduct follow-up
     public opinion surveys
   - Follow-up workshops on administrative streamlining and reinventing government

Stimulated public dialogue through media messages. The media campaign stimulated public interest in the coalition's efforts and applied pressure to maintain political will to carry out the action plan.

The mission also provided moral support to the reformers, helping to assure them that the outside world is interested in what they are doing and feel it is important.

Results to Date

What are the results of this program? Has corruption been reduced? Are the components of the Action Plan being taken seriously? Has investor confidence been enhanced?

Results from Donetsk:
Legal consultations and investigations have been conducted by the partnership in several cities in response to community allegations of corruption. The results have been passed on to legal authorities.

Recommended changes to the existing anti-corruption law made by members of the partnership have been adopted by the Presidential Committee Against Corruption in their new draft anti-corruption law.

The partnership has been invited to submit their comments on the new draft anti-corruption law.

A foreign business team headed by Cargill has decided to invest $65 million in a sunflower processing plant in Donetsk and stated that their decision was strongly influenced by the anti-corruption campaign conducted by the municipal administration and civil society groups of the partnership. The factory will be in operation in 2000 and will produce 600 new jobs.

Results from Lviv:
Actions taken by the municipal administration:
   - Change in procedures for customs checks at border locations
   - Installation of new hot lines to collect public grievances about corrupt
     officials
   - New procedures to screen civil service personnel

Combined Effect
All sectors became involved in the process simultaneously, which built confidence across the sectors rather than a finger-pointing, antagonistic relationship. Civil society participation seemed to induce government to participate.

Generated a lot of media coverage not only of USAID activities but also of corruption issues in general.

Ownership of the action plan and its implementation belongs to the workshop participants, while USAID's primary role is as a facilitator, NOT trainer, advisor, implementor.

The Ukraine public-private partnerships took advantage of relationships and progress already made under a true cross-section of USAID and other donor programs, including small business development, independent media, decentralization, civil society small grants, tax reform, administrative law reform, alternative dispute resolution, and rule of law.

XII. Resources

1. International Organizations

Organization for Economic Cooperation and Development. In December 1997, the 29 OECD member states plus Argentina, Brazil, Bulgaria, Chile, and the Slovak Republic signed a Convention on Bribery of Foreign Public Officials in International Business Transactions. The convention obligates signatories to criminalize bribery of foreign public officials and eliminate tax deductibility of foreign bribes. The treaty will enter into force when five of the ten largest OECD exporters deposit their instruments of ratification or, if this has not happened by the end of 1998, when any two signatories deposit such instruments. The U.S. business and diplomatic community has backed the OECD initiative, as it subjects foreign competitors to the same kind of strictures that U.S. businesses have faced under the U.S. Foreign Corrupt Practices Act. In addition, the OECD Development Centre is undertaking research and holding conferences on anti-corruption, and the OECD Public Management Service has developed an Ethics Checklist for use as a guide to defining, promulgating, and monitoring standards of ethics for the public sector.

The World Bank. Since 1996, the World Bank has openly addressed the issue of corruption. The Bank's president has directed the organization to provide leadership to countries trying to combat corruption, and the bank has published a document defining an anti-corruption strategy. Many of the most focused efforts have been mounted by the World Bank Institute (WBI), at times in partnership with Transparency International. WBI has organized national and subnational integrity workshops in Uganda, Tanzania, Malawi, Mauritius, Zimbabwe, Ukraine, Georgia, Bolivia, and Nicaragua that help participants to identify key corruption problems in their country and develop an action plan to address them. EDI has then facilitated implementation of those plans. The Bank has also shown that it is willing to impose sanctions on countries that do not take corruption seriously. In 1997, for example, the World Bank announced that it would withhold a multi-million-dollar credit from Kenya and that it was suspending a number of investment projects until Kenya demonstrated a commitment to battle official corruption. Similar action had been taken against Tanzania in 1994 when the donor community suspended aid and conditioned future assistance on the government's commitment to recover evaded and exempted taxes and to initiate legal action against corrupt officials.

The International Monetary Fund. The International Monetary Fund has stepped up efforts to combat corruption by adopting a new policy denying financial assistance to countries where graft threatens to undermine economic recovery programs. In the summer of 1997, the IMF Executive Board issued "Guidance Notes" calling for a more proactive approach in advocating policies and developing institutions and administrative systems that eliminate bribery, corruption, and fraud in the management of public resources. As one illustration, the IMF, which had heretofore based lending decisions on economic criteria only, announced in August 1997 it was cutting off a $220 million loan to Kenya because of the refusal of Kenyan authorities to halt pervasive bribery and self-enrichment. More recently, the IMF has demanded an end to insider dealing, nepotism, and related corruption-and-trade issues in connection with its economic rescue efforts in several Asian economies, most notably Indonesia.

United Nations. The United Nations has recently passed a number of resolutions urging members to take measures to combat corruption, specifically addressing transnational bribery, ethical codes for public officials, and transparency in international procurement. The UNDP's

PACT (Programme for Accountability and Transparency) has also established a program to fight corruption, publishing a discussion paper, holding conferences, and supporting training for public records, accounting, and audits.

Organization of American States. Members of the OAS adopted the Inter-American Convention against Corruption in June 1997. The convention calls for drafting model laws to criminalize corruption and establish codes of conduct for public officials; supporting institutions charged with fighting corruption, such as the judiciary, parliaments, and anti-corruption bodies; consulting with other international organizations, and; strengthening civil society efforts, including media campaigns, civic education, NGOs, and associations.

Global Coalition for Africa. The GCA focused on corruption in its 1997 Policy Forum in Maputo and subsequently launched an initiative targeting international procurement in donor-financed projects. The governments of Benin, Ethiopia, Malawi, Mali, Tanzania, and Uganda and the World Bank are supporting it. The initiative involves reform of procurement procedures, anti-bribery pledges from multinational corporations, and anti-bribery clauses in World Bank contracts. The USG and the GCA co-sponsored a meeting of selected African representatives to explore a possible anti-corruption convention or protocol.

Council of Europe. The Council of Europe has developed 20 Guiding Principles for the Fight against Corruption. A proposal to establish an anti-corruption body for cooperation, technical assistance, and information exchange is also under consideration, and country assessments and project design exercises are underway in Central and Eastern European countries.

Asia-Pacific Economic Cooperation. In 1995, APEC established an experts group on government procurement that has undertaken a review of procurement practices in the region and is sponsoring workshops and training for its members.

Regional Development Banks. The regional development banks have begun programming in this area. The Inter-American Development Bank has formed a high-level task force to issue new guidelines on corruption. IDB has submitted amendments to its procurement policy to make anti-corruption efforts more explicit and effective. The Asian Development Bank has approved an anti-corruption policy which will aim to strengthen public institutions, promote market liberalization and competition, respond to requests for anti-corruption assistance, raise anti-corruption issues in country program discussions, and ensure ethical standards in its own work.

World Trade Organization. The WTO has begun discussions on transparency standards for government procurement practices.

International Chamber of Commerce. The ICC has issued a code of conduct prohibiting bribery, kickbacks, and extortion.

2. Private and Non-governmental Organizations

Transparency International. Founded in 1993, TI now has local chapters in over 70 countries. TI builds national, regional, and global coalitions embracing the state, civil society, and the private sector to fight corruption. TI assists in the design and implementation of effective integrity systems and collects, analyzes, and disseminates information to raise public awareness on the damaging impact of corruption. TI has developed a Source Book on Integrity Systems and an annual corruption perception index, both available on their website.

Soros Foundation. The Soros Foundation provides assistance to TI and to local NGOs for anti-corruption work in Eastern Europe and Newly Independent States.

The Asia Foundation. TAF has a core regional project in counter corruption, with programs in Korea, Indonesia, Vietnam, Thailand, Bangladesh, and Nepal. It specializes in constituency-building and demand articulation for anti-corruption reform.

Institutional Reform and the Informal Sector. IRIS organized a training seminar on anti-corruption in Senegal, documented an anti-corruption mechanism in food aid in Nepal, and researched effects of weak governance on the ability of West African nations to mobilize resources for basic services. IRIS is also conducting four lessons-learned case studies in fighting corruption for USAID.

National Democratic Institute. NDI has assisted the South African and Turkish parliaments to adopt an ethics code, and held symposia on ethics and transparency in Paraguay and southern Africa.

International Republican Institute. IRI held national conference in Guatemala to promote ethics and accountability in the political process.

3. Other United States Government Agencies

The U.S. Office of Government Ethics has provided assistance to a number of foreign governments in establishing ethics offices and developing ethics codes. OGE has also worked with OECD to develop an ethics checklist. The State Department's Bureau for International Narcotics & Law Enforcement Affairs has taken a prominent role in coordinating U.S. Government efforts against corruption and in organizing the Vice President's 1999 Global Forum on Fighting Corruption. The State Department's Office of Inspector General has participated in technical exchanges with the Chinese government on oversight functions, and USAID's Inspector General's Office has provided technical assistance to supreme audit institutions in a range of presence countries. Prompted by complaints and press coverage of U.S. firms wronged by corrupt officials, the Vice President's office and the Departments of Commerce and State have engaged in bilateral missions to advocate anti-corruption in Ukraine and Russia. USIA's international broadcasting features anti-corruption programming and has carried out a range of anti-corruption programs domestically and overseas. The National Security Council identified transparency as a theme for the President's trip to Africa in 1998. The Transparency Initiative acknowledged and encouraged Africans' commitment to fight corruption and is pushing for a regional convention against corruption.

5. Resource: World Bank Institute Diagnostic Surveys

It's important to know what the WBI is doing since they are such a big player in the field and they can be an effective partner for USAID missions. It's also important since Gore pledged to support countries willing to use the Bank's diagnostic surveys.

The WBI diagnostic surveys are experiential rather than perceptual, using specially designed and tested closed questions. Ideally, the surveys target different groups (households, firms, public officials) to give more depth to the analysis. Hard data such as measuring actual delays or service quality, comparing prices of publicly procured goods, or examining balance of payments and customs data further strengthen the analysis.

WBI uses the data as input to workshops and action program design.
They stress the importance of civil society involvement in the process, and do not work strictly with government officials in this reform effort.

6. Resource: TI Corruption Perception Index
Transparency International has recently released its 2000 TI Corruption Perception Index. The index goes from 0 to 10, with 10 being the least corrupt. The ratings are based on surveys of business people, risk analysts, and the general public. As you can see, Finland was ranked the least corrupt, and Nigeria the most corrupt. Botswana, which has many anti-corruption measures in place, is one of the highest-ranked LDCs. Russia, like many other NIS countries, is near the bottom. Philippines is near the middle.

7. Resources: USAID Procurement Mechanisms

• Anti-corruption IQCs
• Grant to Transparency International

This fall, we've finally put in place 2 IQCs dedicated to anti-corruption work. Under these IQCs, missions can contract for country assessments, program design, surveys, public relations campaigns, workshops, legal assistance, etc.

The Office also has a grant relationship with TI which does not provide the same kind of contracting facility as the IQCs, but means that USAID has good ties with TI that can be called upon in certain mission programs. For instance, USAID/El Salvador was able to add on to the grant so that personnel from TI-Berlin could carry out an assessment and work with the in-country group that was interested in forming a national chapter. Other missions, like USAID/Bangladesh, have been able to provide funding directly to the local TI chapter.

Contact:
Madalene O'Donnell, Government Integrity Advisor
Tel: (202) 712-4554
Fax: (202) 216-3232
Email: mo'donnell@usaid.gov

8. Resources: USAID
• USAID Handbook on Fighting Corruption

• Promoting Transparency and Accountability: USAID's Anti-Corruption Experience

• IPC's "Stakeholder Analysis: A Vital Tool for Strategic Managers"

• IPC's "Political Will in Anti-Corruption Activities: An Analysis"

Resources: Links
This list provides some of the more helpful web sites, including TI and TI-USA's home page, the Commerce Department's electronic anti-corruption review, which tries to capture most of the efforts underway in this area, and two web sites sponsored by E&E and LAC.

Transparency International
Office of the Chief Counsel for International Commerce
Anti-corruption Gateway for Europe and Eurasia
Respondanet

The Asian Development Bank

Asia-Pacific Economic Cooperation

Council of Europe

Global Coalition for Africa

The Inter-American Development Bank

International Chamber of Commerce

The International Monetary Fund

National Democratic Institute

The Organization for Economic Cooperation and Development

Organization of American States

United Nations

The U.S. Department of Commerce

The U.S. Office of Government Ethics

The U.S. State Department (Office of Inspector General)

The World Bank

World Bank Institute

World Trade Organization

XIII. Lessons Learned

General Programming Guidance

1. Respond to country-specific context

Responding to the country-specific context means addressing the problem at hand, rather than applying the same measures in every case. There is no "silver bullet" or cut-and-paste approach in anti-corruption programming. For example, if the main problem is a lack of transparency and oversight to detect corruption, then judicial reform is not the appropriate response for that specific problem. Responding to the country-specific context also means working within the constraints and opportunities of the country's politics. This entails undertaking a political economy analysis to identify supporters and opponents of anti-corruption reform, and their respective interests and resources. For instance, if judicial corruption is a big problem, but the minister of justice is staunchly resistant to reform, then the strategy cannot advocate a host of structural reforms within the judiciary.

2. Enforcement alone is inadequate

Enforcement alone is not an adequate strategy, although many regard corruption simply as a problem of inadequate enforcement. Especially where corruption is systemic, case-by-case investigation and prosecution can only reach a small portion of corrupt acts. Moreover, corruption differs from other kinds of crime in that all parties to the crime often strive to keep it secret, which makes prosecution much more difficult. What this means is that prevention (limiting authority and improving accountability through other channels) and civil society engagement (awareness raising and mobilizing political will) are key pieces to anti-corruption efforts.

3. Allies are critical

Allies are absolutely critical in this work. Tipping the scales toward less corruption in a society is an enormous and politically complex task, one which requires partners for financing programs as well as generating a broader push for reform. Partners include host country government and civil society entities as well as other donors and international NGOs.

4. Nurture Partnership

When mobilizing political will, take care not to pit government against civil society. It is important to avoid conflict and contention among these sectors. You don't want government pointing its finger at business and vice versa. It is very important to nurture partnership.

All sectors of society have to be mobilized. You have to find ways to stimulate their political will, give civil society, especially, the sense that it can have an impact, and get all sectors to begin talking with each other and coordinating efforts.

5. Generate Commitments from Stakeholders

Generate commitments within each stakeholder group to avoid conflicts and develop ownership. You need to get each sector to identify and commit to what it can do -- the role it can play -- rather than have each sector demand what it wants for the other sectors to do.

6. Pursue Reform Across Sectors

Integrate related reform-minded programs to support implementation (cross-sectoral linkages). It is important to integrate the reforms together as a comprehensive campaign against corruption -- as opposed to pursuing unconnected activities.

Lessons Learned: Programming Challenges

• Cross-sectoral issue
- Funding opportunities
- Management and reporting challenges
- Sample indicators available

• High visibility, political issue

Anti-corruption is a cross-sectoral issue. As we've discussed, there are both political and economic costs to corruption and programming responses that range from clear DG programs, like rule of law strengthening or campaign finance reform, to EG programs, like privatization and deregulation. Even beyond these two sectors, anti-corruption programming can fit within ENV, PHN, and HCD when it targets corruption in environmental, public health, or human capacity development domains. This can open the possibility of funding anti-corruption programs from other sectoral budgets, but raises the bureaucratic challenge of increasing the number of mission

personnel who need to manage the program, and of reporting within just one sector or across sectors to adequately capture the results.

Anti-corruption programming also tends to be highly visible and quite political, which means the Embassy will more than likely be engaged in the mission program. Other USG agencies may also be working in anti-corruption, which entails additional coordination for the mission.

Some Final Thoughts:
- Public awareness campaigns should empower the public, not increase cynicism.
- Actual reductions in the incidence of corruption have been measured where broad coalitions involved and public felt empowered.
- Good opportunities for synergy exist between anti-corruption and decentralization programs.
- Build alliances that include the private sector.

QUIZ #5 (answers on last page)

_____1. Why is enforcement alone inadequate in fighting corruption?
   a. Because it doesn't address the conditions that foster corruption.
   b. Because often the enforcement agencies are corrupt as well.
   c. Both a & b.

_____2. Which of the following is an Indicator of Professionalization of Recruitment and Management?
   a. Time and cost to customers of getting a license from the government.
   b. Percentage of new officers recruited by competitive exam conducted in a "fair" manner.
   c. Number of NGOs capable of analyzing and monitoring government corruption.

_____3. In the Ukraine case study, which of the following was NOT achieved?
   a. Complaints about illegal costs of doing business were reduced sharply.
   b. An anti-corruption czar was elected to oversee implementation of Ukraine's anti-corruption law.
   c. New procedures were instituted for screening civil service personnel.

_____4. In Ukraine, a survey was conducted to determine public attitudes about corruption. The results were a useful tool in:
   a. Persuading local elected officials that there is public demand for anti-corruption efforts.
   b. Highlighting the link between corruption and local economic development.
   c. Both A & B.

_____5. In the Ukraine study, why did USAID choose to focus on corruption at the sub-national level?
   a. The World Bank was also working at that level and this provided a good opportunity to cooperate.
   b. The costs of corruption are felt more personally at this level, thus there is more incentive to act.
   c. There is greater ability to institute important changes at lower levels of government.

_____6. Which of the following is not a "lesson learned" from USAID's anti-corruption experience?
   a. Successful strategies focus solely on anti-corruption, without involving other sectors.
   b.   Prevention and civil society involvement are key components of a successful strategy.
   c.   A wide range of allies is crucial in combating corruption.

Quiz Answers

Quiz #1:
1. A
2. C
3. B
4. C
5. C
6. C

Quiz #2:
1. A
2. C
3. A
4. C
5. B
6. B

Quiz #3:
1. C
2. B
3. C
4. C
5. A
6. B

Quiz #4:
1. B
2. C
3. A
4. A
5. A
6. A

Quiz #5:
1. A
2. B
3. B
4. C
5. B
6. A

DG Anti-Corruption Case Study:
Assessing Corruption in Kleptocria

Introduction

Kleptocria is a poor, electoral democracy with 25 million inhabitants and a per capita GDP of $3000. It has emerged in the past 15 years from decades of oppressive military rule. It now has a free press, and competitive elections. Corruption is pervasive and accepted as a fact of life. All sectors are affected, though corruption is perceived to be most endemic in the Ministry of Finance, the Customs Bureau, and the Judiciary.

The state has taken some initial steps toward liberalization, but most analysts believe that the reach of the state remains far too extensive. Lack of clarity in the law also contributes to corruption. Even more damaging, obligations to clan are still seen to supersede any potential obligations to the state. Citizens of Kleptocria are cynical about corruption and it undermines their belief in the democratic system. Economically, the country has suffered in the last years as foreign investment has gone to less corrupt competitors.

Several conditions in Kleptocria are creating opportunities for fighting corruption. These include a nascent, though dynamic civil society that is starting to place the issue on the agenda, a business association that has emerged as a major force for political and economic reform, and some indications of political will in the government. Pressures from the donor community and media coverage of the activities of advocacy groups have helped to make corruption a part of acceptable public discourse.

Opportunities: Civil Society

Transparency Kleptocria (a recognized TI Chapter) has galvanized public attention, but is hamstrung by its limited membership, lack of resources and pro-fessional staff. It has successfully raised awareness, but has been unable to contribute to concrete policy changes.

Awaken Kleptocria is as much a think tank as an advocacy group. It has held numerous workshops on the topic of corruption, even consulting with the Ministry of Education on steps the ministry might take to fight corruption.

In 1997 a group of NGOs, including Awaken Kleptocria and Transparency Kleptocria, came together to create The Network of Associations to Fight Corruption. The group aims to coordinate various anti-corruption activities, but thus far they've had the most success with an annual, widely-publicized, letter to the Prime Minister making concrete proposals on necessary anti-corruption reforms.

Opportunities: Private Sector
Kleptocria's economy has long been dominated by a few prominent families, which have close ties to the highest levels of government. The interests of these oligarchs are not consistent with greater transparency and the creation of a level playing field.

Since the late 1980s, however, a new economic class has tried to assert itself. These executives of small and medium enterprises are progressive in outlook and have organized themselves in the Kleptocria Business Association (KBA), which enjoys a solid reputation. It has come to be consulted by the government on key social and economic issues. KBA has become a powerful advocate for streamlining procedures within government and for procurement reform. That said, there appear to be disagreements within KBA about how aggressive the organization should become in fighting corruption. Fearing financial repercussions, members seem reluctant to address the issue publicly.

Opportunities: Political Will
The Ghreedy Government (formed in March 1998) has made the moralization of public life one of its key stated objectives, a theme that resonates among Kleptocrians. Realizing the loss of foreign investment, key priorities include rationalization of administrative procedures and a complete overhaul of the judicial system.

Much has been accomplished in judicial reform, including streamlining of the Ministry of Justice. Many of the corrupt personnel have been removed and a new program linking personnel performance with salaries and responsibilities has just been put in place. A World Bank project is currently updating legal codes so as to clarify, simplify and modernize legal rules, while eliminating ambiguities within the law.

Prime Minister Ghreedy has also launched a "Good Management Pact" (GMP). While the specifics are less than clear, it seems a serious attempt to make civil servants personally responsible for actions they take within their professional duties.

Potential Counterparts

Minister Duvalier
Minister of Finance Duvalier is a long-time bureaucrat who has risen through the ranks. She has a good reputation and is currently working with the IMF on a project to computerize and rationalize the financial management of her ministry, widely perceived to be among the most corrupt. She has personally promoted an ambitious project to use similar financial management software at the local level, since decentralization is a task of her ministry. She suggests that this complements USAID's work in decentralization and asks for assistance.

Minister Bhutto
Minister of Education Bhutto is a young, dynamic and partisan politician enthusiastically behind the Good Management Pact and has taken concrete steps to professionalize the civil service in his ministry. He is seen as a rising star in the government and may be positioning himself as an anti-corruption reformer. He is a member of an old, oligarchic family in Kleptocria.

Minister Marcos
Minister of Governmental Affairs Marcos is responsible for carrying out the Good Management Pact and is an advocate within the government for the formation of a specialized anti-corruption agency. She has developed, with World Bank assistance, concrete plans for such an agency, based on the anti-corruption agency in Hong Kong. Her own bureaucracy is chronically under-funded and is perceived to be among the least effective in the government.

Minister Peron

Juan Peron, leader of the opposition, is planning to run on an anti-corruption platform. He is a populist with strong working-class roots. He has a reputation for personal integrity and frugality, but many view his anti-corruption campaign as politically expedient.   Over the years he has nurtured alliances with the small business community and has close connections within the Kleptocria Business Association.

Constraints on an Anti-corruption Strategy

Grand corruption remains an extremely sensitive subject. Neither the strength of the vested interests that would be hurt by an effective anti-corruption campaign, nor their ability and determination to resist such a campaign, should be underestimated. Newspapers have faced retribution for running investigative stories, including loss of advertising from prominent businesses and "mysterious" disruptions to their paper supply. There is now a greater hesitation to tackle the topic in the press.

There is also the risk that an anti-corruption campaign could spin out of control. Powerful, non-democratic opponents of the government have used "moral decline" as a political theme. It is in no one's interest to play into their hands.

Notwithstanding its rhetoric about valuing and encouraging civil society's input and participation in the fight against corruption, the government has shown real ambivalence toward the role of NGOs. The Network's annual memorandum to the government receives no official response, despite its prominent play in the media. When the World Bank was invited by the government to conduct a seminar on fighting corruption, the government systematically excluded civil society from the proceedings.

Another obstacle is the disorganization of the government. For all of the rhetorical emphasis placed on fighting corruption since 1998, the government has yet to sketch even the rough outlines of a concrete strategy to tackle the problem. The disorganization is compounded by a very visible and pronounced rivalry within government over who should assume responsibility for fighting corruption. The Ministry of Governmental Affairs is overseeing the "Good Management Pact", although other ministers, such as the Minister of Education, iare vying for a larger role and may undermine the implementation.

Mission Constraints

The USAID Mission in Kleptocria is small and short-staffed. The Mission Director is unlikely to support a new S.O. in anti-corruption. However, some new funding for DG programs, up to $1 million, will be available for new anti-corruption initiatives. The Mission's current activities are focused on decentralization, legislative strengthening, and small and medium enterprise development, as well as a population program. The decentralization program focuses on increasing citizen participation at the local level. The legislative strengthening program's goal is to increase the oversight of the legislature vis a vis the executive branch. The small and medium enterprise program's object is to increase the advocacy skills of SME associations. It is unlikely that the Mission will be able to bring on additional staff. The Embassy is justifiably very cautious about the U.S. getting involved in the "corruption" issue, but is well aware of the costs of corruption in the country.